BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-643-G - ORDER NO. 93-1058

NOVEMBER 12, 1993

IN RE: Frederick Mullen, Complainant, v. South Carolina Electric & Gas Company, Respondent.	ORDER DENYING COMPLAINT

This matter comes before the Public Service Commission of South Carolina (the Commission) on the complaint of Frederick Mullen (Mullen) against South Carolina Electric & Gas Company (SCE&G or the Company). Mullen's complaint concerns SCE&G's Gas Rate 32, the residential rate. Mullen alleges that Rate 32 is excessive and arbitrary, discriminates adversely against certain customers, and is deficient in several other ways.

The Commission held a hearing on this matter on November 2, 1993, with the Honorable Henry G. Yonce, presiding. Frederick Mullen represented himself and presented testimony. The Respondent SCE&G was represented by Francis P. Mood, Esquire. SCE&G presented the testimony of Carey M. Flynt. The Commission

Staff was represented by F. David Butler, General Counsel, and Florence P. Belser, Staff Counsel.

Mullen presented several studies on graphs which purported to show a decrease in gas usage, and at times, an increase in rates paid by him. Mullen stated that Rate 32 is too high, favors SCE&G unconscionably, is too complex, discriminates against the larger user with its winter rate, and a number of other concerns. Mullen asks the Commission to lower the rate and to provide a rate that could be understood by the public. Mullen further asks the Commission for quantity discounts, elimination or reversal of the winter rate, elimination of the Weather Normalization Adjustment, and discounts for the elderly.

Carey M. Flynt, Supervisor of the Gas Rate Department of SCE&G testified. Flynt is responsible for the preparation and development of the Company's gas cost of service studies, the Company's gas rate design and gas cost adjustments. Flynt examined the testimony and exhibits of Mr. Mullen and alleged several flaws in his analysis. Flynt noted that Mr. Mullen analyzed the change in his consumption and the change in his cost per unit from the current year to the previous year. In doing so, Mr. Mullen, according to Flynt, simply divided his billed amount by his consumption to arrive at an average rate per CCF. Flynt testified that a more meaningful comparison would be to compare the change in annual consumption to the change in annual bill amount. When doing this, Mullen's current year consumption decreased by 18%, and his bill amount decreased by 16% over previous years. Flynt went on to testify that the slight 2% difference is attributable to the change from the previous year of the purchased gas adjustment (PGA) and the Weather Normalization Adjustment (WNA). With regard to Mullen's allegation that he used 32% less in January 1993 than in January 1992, but paid 22% more, Flynt pointed to Mullen's total bill percentage change, not the rate per therm change. The total bill percentage change was a decrease of 17%.

As Ms. Flynt noted, the current Rate 32 structure was approved by the Commission in Docket No. 89-245-G in Order No. 89-1074 and has been in effect since December 1989. The rate consists of a basic facility charge of $3.00 and two consumption blocks. The first base block of 25 therms is billed at a consistent year round charge. The charge for usage in excess of 25 therms in the winter months of November through April is increased 10% above the base block charge. In the summer months of May through October, the second block usage is billed at a 10% discount of the base block. This increased winter block and discounted summer block were decisions designed to achieve winter fuel conservation and to encourage seasonal off-peak summer usage, and to improve the system's load factor, thus providing more units over which to spread fixed costs. Rate designs which incorporate a basic facilities charge and seasonal differences are widely accepted in the utility industry. Also, there are approximately 28 gas utilities which incorporated Weather Normalization Adjustments into their rate design. Mr. Mullen had also alleged that SCE&G's profits on gas distribution operations were exceedingly high. At present, evidence presented by Flynt showed that SCE&G's 10.77% return on equity for firm natural gas operation is below the authorized rate of return for the Company.

The Commission has studied this matter and agrees with Ms. Flynt that Mr. Mullen has done a thoughtful analysis, comparing the costs and consumption from previous years to the current year. However, the Commission also agrees with Ms. Flynt that Mr. Mullen has considered factors and drawn conclusions in these various analyses which are not consistent with ratemaking principles.

It appears to this Commission that Mr. Mullen is a heavy user of natural gas. The Commission suggests that Mr. Mullen obtain an energy audit from SCE&G in order to augment his present conservation methods. We further believe that there is insufficient evidence to substantiate Mr. Mullen's allegations, and we must therefore deny his complaint.

IT IS THEREFORE ORDERED THAT:

1. The complaint of Frederick Mullen is hereby denied.

2. The Commission suggests that the Mr. Mullen obtain an energy audit from SCE&G.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)